

Sustainable Competitive Advantages of Chinese Online Travel Agents: Analysis Based on RBV View

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ABSTRACT

Chinese Online Tourism Agents (OTAs) are facing with fierce competition currently. Therefore, it is of primary importance for Chinese OTAs to build long lasting competitive advantages. This study identifies the sustainable competitive advantages of Chinese Online Tourism Agents (OTAs) based on the resource-based perspective. The study conducted an online questionnaire survey among 210 consumers who were randomly chosen from six OTAs in China. Five competitive advantages were identified from the survey: payment model, product variety, cost leadership, service responsiveness and e-marketing strategies. Recommendations in terms of system security, service customization and corporate social responsibilities were put forward based on the perceived shortcomings of the OTAs. .

Keywords: *Competitive advantage, RBV View, OTA, Recommendation*

1. INTRODUCTION

Online tourism market, featured by the online tourism agents, has gradually replaced the traditional tourism agents. According to the China Online Travel Sector Report (2018), in the first quarter of 2018, China online travel attained 87.5 billion CNY, rising 29.2% from a year earlier and 11.7% over the preceding quarter. Online travel agencies' (OTA) revenue increased by 26.4% compared with a year ago, reaching to 4.01 billion CNY [1]. This outstanding growth of Chinese online travel agents makes the academic field alarmingly aware of the importance of investigating the competitive advantages they have gained through decades' of operation.

1.1. Research Objectives

The aim of this research is to identify the sustainable competitive advantages of Chinese OTAs through a questionnaire survey from a resource-based view (RBV View). In addition, the report also intends to demonstrate several recommendations for Chinese OTAs so that they can achieve ongoing and sustainable developments relying on these competitive advantages.

1.2. Research Structure

The research firstly introduces the background of Chinese OTA. The literature part mainly reviews the RBV theory and VRIN framework. Then, the next section introduces the methodology that was used to conduct the research. Then, the results are demonstrated in section four. Section

five identifies the competitive advantages of Chinese OTA, Ultimately, suggestions are given in section six.

2. LITERATURE REVIEW

2.1. Industrial Analysis

2.1.1. Overall environment and value chain

The Chinese OTA industry began in 2006 when Expedia entered in Chinese market by taking over a company named as eLong [1]. Several drivers facilitate the transformation from TAs to OTAs in China. Firstly, the overall Chinese travel market is experiencing rapid growth. Moreover, China is transforming itself into a consumption-driven economy after the adoption of Open Up and Reform Policy, which attributes to the significant growth of the spending power in the upper and middle classes [2]. Furthermore, different types of social media as mediator, is positively relevant to the distribution of Chinese OTAs. Besides, the penetration of electronic devices is a key reason why online tourism purchasing becomes a popular buying behaviors, especially among Gen Y. The value chain of Chinese OTAs includes three components: suppliers in the upstream, wholesalers in the middle stream and the marketing platforms in the lower stream [3]. Figure 1 below outlines the value chain of online tourism industry in China.

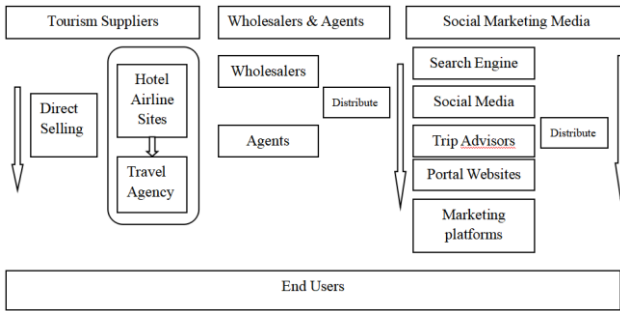


Figure 1 Value Chain of Chinese OTAs

2.1.2. Major Players

Figure 2 shows the market share of each brand in the Chinese OTA industry. Ctrip shares the greatest proportion (33.9%). Qunar shares 22.1% of the market, ranking the second place. 12306, a government authorized OTA, focuses on train ticket sales, sharing 8.8% of the market. Alitrip and eLong, share 5.6% and 5.0% respectively. Tuniu, Mangocity, Lotour, LY.com are new brands, sharing small proportion.

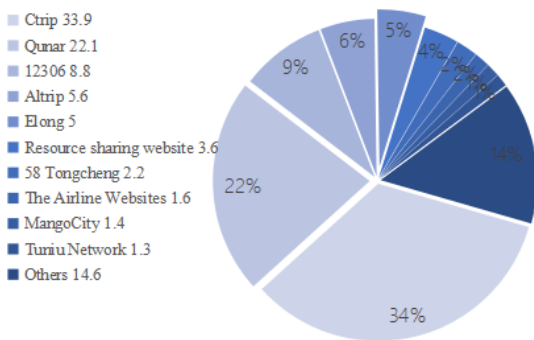


Figure 2 Market Share of Chinese OTAs

2.2. RBV and Competitive Advantage

2.2.1. Resource-based view

Firm resources are assets, capabilities, organizational processes, firm attributes, information, knowledge and others that are controlled by a firm that enable the firm to conceive of and implement strategies that improve the efficiency and effectiveness [4]. Firm resources have four attributes in order to transform organizational capability: valuable, rare, imitable and non-substitutable, which is also known as VRIN model [5]. (1) Valuable resources. Valuable resources are able to bring benefits to the firm’s performance, which can be measured by two

indicators: the improved efficiency and effectiveness; the capability in exploiting opportunities for the firm. (2) Rare resources. As long as the number of firms that possess a particular resource with great value is less than the number of firms struggling in the competitive dynamics, that resource are regarded as a rare one in generating competitive advantages. (3) Imperfectly imitable resources. Imperfectly imitable resources could not be learned by other competitors. Competitors could neither conceive of nor implement, nor both of them since they do not possess the resources. (4) Non-substitutable resources. Once the resources are neither rare nor imperfectly imitable, at least they must be non-substitutable.

2.2.2. Competitive advantage

“RBV” has placed considerable emphasis on the importance of key resources in achieving a competitive advantage. Different combinations of resources and competences are signified as cost drivers, product and service advantage [6]. Cost advantage is related to the cost of product per unit; product advantage is associated with product quality and design; service advantage consists of reliability, accessibility, post service, responsiveness, technical support and others [7].

3. METHODOLOGY

3.1. Data Collection Method

A questionnaire survey was applied to collect the primary data. The questionnaire was designed by the author in advance. The questionnaire’s first part asked the basic information of consumers. The second part identified 31 questions in technical, service and product contexts. The obtained information remained confidential and documents were dismissed after the research. Questionnaire was sent to respondents through Email, which is cost effective, regardless of geographic boundaries [8].

3.2. Sample

Typical OTAs were targeted by the research, including the strong, normal and fading brands. Strong brands like Ctrip and Qunar were chosen. Normal brands like eLong and Tuniu were considered. Taobao Alitrip and Dianping, the brands focusing on tourism review and comments were included. Totally, 210 consumers from six OTAs were randomly chosen. 117 respondents were females, accounting to 55.7%. The incomes of respondents varied widely. Concerning the educational background, 103 respondents were undergraduates. 30% of the respondents were between 18 to 25 years old. However, the sample

selection process ignores the influences of personalities on the result, which is a limitation needs further investigation.

3.3. Data Analysis Method

1 to 9 were the fundamental scale, indicating the extent to which the consumers were agree with the criterion as an advantage of OTAs. 1 refereed to strongly disagree while 9 meant extremely agree. 9 variables were chosen and totally 31 criteria were selected to summarize the relevant resources of Chinese OTC (Table 1). SPSS was mainly used to analyze the primary data. Specifically, there are five parts of the analysis: reliability analysis, validity analysis, variable descriptive, correlation analysis and regression analysis.

4. RESULT

4.1. Reliability Analysis

According to Table 1, the Cronbach Alpha of the 9 variables are 0.826, 0.816, 0.823, 0.831, 0.862, 0.843,

0.844, 0.853 and 0.813 respectively. The Cronbach Alpha of the 9 variables are over 0.7, indicating that the reliability of the variables are extremely high.

4.2. Validity Analysis

The KMO of the 9 variables are over 0.6. Service support has the highest KMO (0.813) and system security has the lowest KMO (0.673). They were examined through Bartlett's Test of Sphericity (sig=0.000). Therefore, the validity of the 9 variables are acceptable.

4.3. Variable Descriptive

The variable with the highest average means is perceived by consumers to be the most outstanding advantage of Chinese OTAs. The average means of technical context, product context and service context are 6.07, 6.70 and 6.58 respectively. Thus, product context of Chinese OTAs is the most advantageous. However, the technical context is perceived by consumers as the most disadvantageous.

Table 1 Results of Reliability, Validity and Variable Descriptive

| Scale | Variable | N | Min | Max | Mean | SD | N of Items | Cronbach Alpha | KMO | Approx . Chi-Square | df | Sig |
|-------------------|--------------------|-----|------|------|------|------|------------|----------------|-------|---------------------|----|-------|
| Technical context | System Security | 210 | 4.00 | 9.00 | 5.96 | 1.00 | 3 | 0.826 | 0.673 | 254.556 | 3 | 0.000 |
| | System function | 210 | 4.00 | 9.00 | 6.16 | 1.04 | 3 | 0.816 | 0.703 | 220.657 | 3 | 0.000 |
| | System management | 210 | 4.00 | 9.00 | 6.09 | 1.05 | 3 | 0.823 | 0.700 | 234.362 | 3 | 0.000 |
| Product context | Product knowledge | 210 | 4.00 | 9.00 | 6.85 | 0.56 | 4 | 0.831 | 0.789 | 311.551 | 6 | 0.000 |
| | Product attribute | 210 | 4.00 | 9.00 | 6.88 | 0.62 | 4 | 0.862 | 0.796 | 384.106 | 6 | 0.000 |
| | Product innovation | 210 | 4.00 | 9.00 | 6.26 | 1.09 | 3 | 0.843 | 0.728 | 254.634 | 3 | 0.000 |
| Service context | Service quality | 210 | 4.00 | 9.00 | 6.71 | 0.72 | 4 | 0.844 | 0.779 | 348.159 | 6 | 0.000 |
| | Service support | 210 | 4.00 | 9.00 | 6.20 | 1.02 | 4 | 0.853 | 0.813 | 351.267 | 6 | 0.000 |
| | Service innovation | 210 | 4.00 | 9.00 | 6.91 | 0.52 | 3 | 0.813 | 0.708 | 214.264 | 3 | 0.000 |

4.4. Regression Analysis

From Table 2, R^2 is 0.923, meaning that the nine variables are able to explain 92.3% of the reasons. Also, sig is $0.000 < 0.05$, meaning that at least one variable in the nine variables influences the sustained competitive advantages of Chinese OTAs.

5. DISCUSSION

Based on the finding of the research, five competitive advantages of Chinese OTA could be identified, measured by VRIN model.

Table 2 Model Summary^b and ANOVA^a

| Model Summary ^b | | | | |
|----------------------------|-------------------|----------|-------------------|----------------------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .961 ^a | .923 | .920 | 0.334 |

a. Predictors: (Constant), Service innovation, System function, Service quality, Product attribute, Product innovation, System Management, Service support, Product knowledge, System Security

b. Dependent Variable: Purchasing sustainable competitive advantage

| ANOVA ^a | | | | | | |
|--------------------|------------|----------------|-----|-------------|---------|-------------------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| | Regression | 268.187 | 9 | 29.799 | 266.702 | .000 ^b |
| 1 | Residual | 22.234 | 199 | .112 | | |
| | Total | 290.421 | 208 | | | |

a. Dependent Variable: Purchasing sustainable competitive advantage

b. Predictors: (Constant), Service innovation, System function, Service quality, Product attribute, Product innovation, System Management, Service support, Product knowledge, System Security

5.1. Digital Marketing

The finding reveals that digital marketing is the most important competitive advantage of Chinese OTAs. It was revealed that online solutions of Chinese OTA highly rely on websites, accounting to 35% of the sales, followed by mobile applications (27%) [9]. Electronic commerce mode of the industry plays as a valuable and non-substitutable resource of Chinese OTAs. Nowadays, Chinese OTAs have extremely strong digital marketing strategies.

5.2. Cost Leadership

Lots of respondents perceived “low cost” as a sustained advantage of Chinese OTAs. Table 3 compares the prices of different products offered by OTAs and real suppliers.

This is because, OTAs not only sell the products to end-users by wholesaling, but also distribute the products on behalf of the suppliers [10]. Additionally, suppliers always offer the products with the lowest prices to OTA in order to pursue the amount of sale. OTAs pursue the profits from commission rather than the revenue by selling the products.

5.3. Payment Model

The easy, prompt and convenient payment model is valuable, inimitable and non-substitutable resources of Chinese OTAs. It is the result of the development of Chinese financial system, which is uniquely depending on the national condition of China. Non-substitutable means that the payment model could not be substituted by some other types of payment methods. In this context, Chinese OTA provides several choices for consumers to pay, including debt cards, credit cards, Visa and Master cards, internet banks as well as some payment systems that are operated by the third parties such as Alipay and WeChat.

5.4. Service Responsiveness

Service responsiveness is a key measurement of service quality [11]. The result indicates that Chinese OTAs are advantageous in responsiveness. Each OTA has well designed FAQ and online helps functions, offering immediate aids to consumers for 24 hours a day. Hot-line is also available. Undoubtedly, this indicates the strong service responsiveness of Chinese OTAs. The FAQ model, online help and hotline are valuable and non-substitutable resources towards this competitive advantage.

Table 3 Comparison of Prices offered by OTA and TA

| | Qunar | China Southern Airline |
|---------|----------------------|------------------------|
| Flight | ¥ 980 (Beijing-Xian) | ¥ 1420(Beijing-Xian) |
| | Ctrip | Shangri-La Website |
| Rooms | ¥ 353 per night | ¥ 499 per night |
| | Tuniu | CYTA |
| Vehicle | ¥ 188/day | ¥ 256/day |

5.5. Product Variety

OTAs have an outstanding competitive advantage in product variety. Extensive services are offered by OTAs, including flight tickets, accommodation, trip or holiday, beverage and food and entertainment. Some new services such as pick-up service, refreshment and trip review are also designed and launched continuously. Innovation

inevitably plays a key role in sustaining the competitive advantage [12].

6. CONCLUSION

Five competitive advantages of Chinese OTAs are identified: payment model, product variety, cost leadership, rapid responsiveness and digital marketing. The research also reveals the disadvantages of Chinese OTA that needs continuous efforts to fulfill the gap. Foremost, the system security is perceived to be disadvantageous. Thus, it is highly recommended that Chinese should strengthen the protection of consumers' personal information by fulfilling technical gaps of systems. Moreover, services lacking of customization is another disadvantage of Chinese OTAs. Chinese OTAs are suggested applying mass customization as a marketing technique that combines the flexibility and personalization of "custom-made" with the low unit costs. Lastly, corporate social responsibilities have to be fulfilled, which can increase long-term profits and reputation.

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